

Legal Entities

- **Sole proprietorship**

A business run by one person with no legal formalities. The sole proprietor (the owner) is personally liable for all debts and liabilities of the business.

- **General Partnership**

A business formed by two or more individuals with no legal formalities. All partners are liable for debts and liabilities of the business, including those incurred by the other partner on behalf of the business.

- **Corporation**

A legal entity established pursuant to state law which is separate and distinct from its owners and responsible for its own debts and liabilities. May be taxed in its own bracket (**C Corp**) or taxes may be passed through to its owners (**S Corp**).

- **Limited Partnership (LP)**

A partnership formed under state law with one or more general partners with full control of the business and personal liability for the business's debts and liabilities, and one or more limited partners with no management control and only limited liability (not personally liable for the debts and obligations of the business). Pass-through taxation to partners.

- **Limited Liability Company (LLC)**

A hybrid of corporations and partnerships, it has less formal requirements than a corporation but provides limited liability benefits for all of its owners (members). An LLC is formed under state law and can provide flexibility for taxation purposes.